

EXHIBIT 6

Metro taxpayers foot the bill as banks walk away from homes

By Eric D. Lawrence Detroit Free Press Staff Writer Filed Under Local News Metro Detroit Lansing Washtenaw County
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Taupe paint peels off the weathered front and side of 2375 Wiard Court in Ypsilanti Township. Windows are missing from a porch covering added long ago.

Next door, trash is strewn on the porch of another abandoned house with a collapsing roof. In an overgrown yard, a painting of Jesus praying and staring heavenward shares space with old tires and a toy kitchen.

Township attorney Douglas Winters said the houses, which have been deemed unfit for human habitation as a result of mold and structural problems, are decaying because they've been neglected and abandoned, not only by the homeowner, but also by the financial institution that had the mortgage. Officials in several metro Detroit counties said that banks

and their agents -- like scores of homeowners upside-down on their mortgages -- have opted not to pay taxes on thousands of properties and instead have walked away from them, despite having mortgages on them.

Officials call these "bank

walkaways," a term also used to refer to properties on which foreclosure proceedings were started but never finished.

"I think it's unconscionable what they've been allowed to do," Winters said of the walkaway phenomenon.

Once owners are delinquent on property taxes, properties slip into county tax foreclosure. If the treasurer can't collect the taxes owed, the communities must repay the difference -- called a "chargeback." Communities are left with less money for roads, public safety and other purposes. For the City of Detroit alone this year, the chargeback bill is \$118 million.

Banks counter that they maintain homes and pay taxes on properties that they own outright, but otherwise, they say, property maintenance and taxes are the homeowners' responsibility.

Gail Madziar, vice president of membership and communications at the Michigan Bankers Association in Lansing, said banks are trying to create solutions to problems such as blight, but that it doesn't make financial

sense for a bank to try to rehabilitate a stripped or dilapidated house that has a \$60,000 mortgage, but is valued at, say, \$20,000.

"In the past, we have had many instances where banks have foreclosed, paid the taxes on the property and then invested \$20,000 or \$30,000 to bring the property to salable condition, only to have it stripped again and again before it could sell. It's a complex problem with no easy solution," Madziar said in an e-mail.

"I don't want it to sound like the banks don't care, because they do care," she said.

A substantial percentage of tax foreclosures in metro Detroit involve walkaways, properties with some type of bank financial interest.

In Washtenaw County, 76% of the 274 properties in county tax foreclosure this year are those that had banks listed on property records as having a financial interest, such as through a mortgage. That's a drop from the 99% -- 632 of 637 -- of properties that Treasurer Catherine McClary counted in 2011, which she attributes to a general improvement in the market.

But in other Detroit-area counties, those numbers have increased this year, and treasurers in Wayne, Oakland and Macomb counties all report double-digit percentages. In Macomb County, 60% (494) properties were listed as having a bank interest; 48% (786) were so listed in Oakland County -- up from 16% the year before, and there were 48% (10,880) in Wayne County, which had a staggering 22,499 properties in tax foreclosure.

• **GRAPHIC:** Tax foreclosure process in Washtenaw County • **GRAPHIC:** Total county tax foreclosures

Those tax foreclosures could lead to chargebacks. In 2011, chargebacks cost Ypsilanti Township more than \$290,000. This year, Oakland County charged back \$9.3 million, down from \$10.4 million last year. Washtenaw County had about \$1.5 million in chargebacks last year, although McClary said she expects that number to drop this year. Macomb County had no chargebacks this year because all of its properties sold at auction. In Wayne County this year, the total was \$263 million. Wayne County Chief Deputy Treasurer David Szymanski noted that the county settles up with communities before the auction, so the final cost is likely to be less, assuming properties sell at auction.

"These financial institutions are walking away from their responsibility to pay the taxes," said Oakland County Treasurer Andy Meisner. "It was not the Oakland County taxpayers' decision to do a mortgage on the property," he said. "By walking away from their responsibility, they're shifting their burden to the Oakland County taxpayers. ... For them to walk away from that and to try to stick my taxpayers with the bill for that is unacceptable."

Complex, uphill battle

Ypsilanti Township has sued Germany's Deutsche Bank, along with the homeowner, over property nuisance issues at the Wiard Court houses. The township isn't the only government to sue a bank over property maintenance; the Los Angeles City Attorney's Office called U.S. Bank one of that city's "largest slumlords" in a lawsuit filed in July.

Trying to assign responsibility to national and international financial institutions when taxes go delinquent and maintenance stops on individual properties is complicated by the way mortgages have been pooled into investment vehicles. These mortgage-backed securities, which helped fuel the housing crisis, can obscure financial connections.

For example, a spokesman for Deutsche Bank, said the company is not responsible for the Wiard Court properties because Deutsche Bank is only the trustee, not the mortgage servicer. It suggested contacting a company called Homeward Residential in Texas. That company, then under a different name, was

accused by the Texas Attorney General's Office in 2010 of using illegal debt

collection tactics and misleading struggling homeowners. That case is suspended.

A spokeswoman for Homeward Residential, Philippa Brown, acknowledged that Homeward, not Deutsche Bank, is responsible for the Wiard Court properties. But she also said that she has no information about the properties, and attorneys for Deutsche Bank participated in a court hearing this month about them.

Russ Cross, senior vice president and regional servicing director for Wells Fargo Home Mortgage, said Wells Fargo has been much more assertive in the last year in its role as a trustee.

"We're sensitive to walkaways," Cross said, noting that the company understands "taxes are an important part of the lifeblood of local government, so we make sure they're paid."

Cross said the company works with neighborhood groups, including in Detroit, to address property issues and now has a repair program for houses it owns. The company also donates property in some cases.

However, Cross said, walkaways on occupied properties are allowed for a small portion of loans Wells Fargo is involved with on behalf of 400 investor groups. Cross said that in those cases, Wells Fargo notifies the homeowner and the local community that the lien on the loan

is being released, meaning the mortgage is extinguished.

Possible solution

Kermit Lind, a clinical professor of law emeritus at Cleveland State University, is an expert on foreclosure issues and said local officials often face a tough challenge in notifying the mortgage servicer when a problem, such as a nuisance issue, arises.

He said taxing entities seeking unpaid taxes -- such as county treasurers, or municipalities dealing with nuisance violations -- have no choice legally but to contact those listed on property records. And the company on file is likely not the loan servicer, the company that might be designated to handle things such as tax payments.

A simple solution, Lind said, would be for banks to file an affidavit with the register of deeds that lists the name of the servicer.

"It's up to them to do something about it," Lind said of banks. "If the servicer isn't doing their job, then the burden shouldn't be on the taxpayer for that."

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More Details: Tax, mortgage help for homeowners

Homeowners can contact their local county treasurer if they are having difficulty paying property taxes. Some offer guidance for

residents facing mortgage foreclosure, as well.